

WOODBINE MUNICIPAL LIGHT & POWER

FINANCIAL STATEMENTS

JUNE 30, 2011

WOODBINE MUNICIPAL LIGHT & POWER  
WOODBINE, IOWA  
JUNE 30, 2011

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WOODBINE MUNICIPAL LIGHT & POWER

OFFICIALS

JUNE 30, 2011

<u>NAME OF OFFICIAL</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Donald Kenkel	Trustee - Chairman	2011
Jean Clark	Trustee	2013
Charles H. Warner, Jr.	Trustee	2015
Christopher Waite	Superintendent	
Theresa Corrin	Office manager	

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Woodbine Municipal Light & Power  
Woodbine, Iowa

I have audited the accompanying financial statements of Woodbine Municipal Light & Power, a component unit of the City of Woodbine, Iowa, as of and for the fiscal years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of Woodbine Municipal Light & Power's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1A, the accompanying financial statements present only the Woodbine Municipal Light and Power fund and do not purport to, and do not, present fairly the financial position of the City of Woodbine, Iowa, as of June 30, 2011 and 2010, and the changes in its financial position, or, where applicable, its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Woodbine Municipal Light & Power fund of the City of Woodbine, Iowa as of June 30, 2011 and 2010, and the changes in net assets and cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

WOODBINE MUNICIPAL LIGHT & POWER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

In accordance with *Government Auditing Standards*, I have also issued a report dated August 12, 2011, on my consideration of the Woodbine Municipal Light & Power fund's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management's discussion and analysis is not required to be part of the basic financial statements, but is necessary to supplement the basic financial statements according to accounting principles generally accepted in the United States of America. Woodbine Municipal Light & Power has not presented management's discussion and analysis in these financial statements.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Woodbine Municipal Light & Power fund's financial statements taken as a whole. The accompanying supplementary information on pages 18 through 21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in my audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements of the Woodbine Municipal Light & Power fund taken as a whole.



Certified Public Accountant

Omaha, Nebraska  
August 12, 2011

WOODBINE MUNICIPAL LIGHT & POWER

STATEMENT OF NET ASSETS

JUNE 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets:		
Cash	\$ 175,483	\$ 195,855
Receivables	144,219	142,118
Inventories	47,520	43,477
Certificates of deposit	552,733	525,000
Unbilled usage	45,354	42,471
Accrued interest receivable	670	1,815
Prepaid insurance	14,927	17,095
Total current assets	<u>980,906</u>	<u>967,831</u>
Noncurrent assets:		
Customer deposits	10,622	10,115
Natural gas deposits	10,711	10,674
Total noncurrent assets	<u>21,333</u>	<u>20,789</u>
Capital assets	<u>735,528</u>	<u>736,438</u>
Total assets	<u>\$ 1,737,767</u>	<u>\$ 1,725,058</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable - trade	\$ 15,434	\$ 18,870
Accrued vacation and leave	26,356	23,325
Total current liabilities	<u>41,790</u>	<u>42,195</u>
Long-term liabilities:		
Natural gas and customer deposits payable	24,013	23,285
Total liabilities	<u>65,803</u>	<u>65,480</u>
Net assets:		
Investment in capital assets, net of related debt	735,528	736,438
Net assets - restricted	-	-
Net assets - unrestricted	936,436	923,140
Total net assets	<u>1,671,964</u>	<u>1,659,578</u>
Total liabilities and net assets	<u>\$ 1,737,767</u>	<u>\$ 1,725,058</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Current use charges	\$ 1,241,281	\$ 1,139,913
Other operating revenues	6,390	7,727
Miscellaneous and rentals	1,576	591
Total operating revenues	<u>1,249,247</u>	<u>1,148,231</u>
Operating expenses:		
Cost of power	800,739	730,243
Distribution expenses	148,032	135,558
Accounting and collection	69,542	71,156
Administrative	147,050	158,483
Depreciation	48,254	49,201
Total operating expenses	<u>1,213,617</u>	<u>1,144,641</u>
Operating income	<u>35,630</u>	<u>3,590</u>
Non-operating revenues (expenses):		
Interest income	5,854	18,777
Penalties and late fees	6,319	4,927
Gain on sale of assets	3,071	-
Sales of materials and equipment	534	-
Miscellaneous income	200	100
Interest expense	(213)	(6,122)
Total non-operating revenues (expenses)	<u>15,765</u>	<u>17,682</u>
Changes in net assets before transfers	51,395	21,272
Transfers from City of Woodbine Water Fund	39,848	44,718
Transfers to City of Woodbine Water Fund	(39,848)	(44,718)
Transfers to City of Woodbine Water Fund	(33,009)	-
Transfers to Woodbine Mainstreet Chamber	<u>(6,000)</u>	<u>(5,000)</u>
Changes in net assets	12,386	16,272
Net assets, beginning of year	<u>1,659,578</u>	<u>1,643,306</u>
Net assets, end of year	<u><u>\$ 1,671,964</u></u>	<u><u>\$ 1,659,578</u></u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,239,969	\$ 1,133,203
Cash payments to suppliers	(1,002,458)	(995,145)
Cash payments to employees	(164,457)	(158,141)
Other revenues	7,966	11,167
Net cash provided (used) by operating activities	<u>81,020</u>	<u>(8,916)</u>
Cash flows from noncapital financing activities:		
Transfers from City	39,848	41,868
Transfers to City	(72,857)	(41,868)
Transfers to Woodbine Mainstreet Chamber	(6,000)	(5,000)
Non-operating revenues - net	7,053	5,027
Net cash provided (used) by noncapital financing activities	<u>(31,956)</u>	<u>27</u>
Cash flows from capital and financing activities:		
Repayment of principal - bonds	-	(160,000)
Interest expense	(213)	(6,122)
Net cash used by capital and financing activities	<u>(213)</u>	<u>(166,122)</u>
Cash flows from investing activities:		
Purchases of investments and certificates of deposit	(907,293)	(997,402)
Proceeds from investments and certificates of deposit	879,560	1,319,828
Purchases of equipment	(47,344)	(4,777)
Interest on investments	5,854	18,777
Net cash provided (used) by investing activities	<u>(69,223)</u>	<u>336,426</u>
Net increase (decrease) in cash	<u>(20,372)</u>	<u>161,415</u>
Cash, beginning of year	195,855	34,440
Cash, end of year	<u>\$ 175,483</u>	<u>\$ 195,855</u>

SCHEDULE OF NET CASH FROM OPERATING ACTIVITIES

Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 35,630	\$ 3,590
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	48,254	49,201
Gain on sale of assets	3,071	-
Changes in assets and liabilities:		
Receivables	(2,101)	(2,949)
Accrued interest receivable	1,145	4,805
Inventories	(4,043)	(1,832)
Unbilled usage	(2,883)	(8,378)
Prepaid insurance	2,168	(1,632)
Deposits	(544)	(188)
Accounts payable	(3,436)	(49,842)
Accrued vacation and leave	3,031	(1,492)
Accrued interest payable	-	(538)
Customer deposits	728	339
Net cash provided (used) by operating activities	<u>\$ 81,020</u>	<u>\$ (8,916)</u>

The accompanying notes are an integral part of the financial statements.



WOODBINE MUNICIPAL LIGHT & POWER  
STATEMENT OF BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	2011		
	Original & Final Budget	Actual	Variance
Operating revenues:			
Sales to customers	\$ 1,190,205	\$ 1,236,481	\$ 46,276
Other operating revenue	8,000	6,390	(1,610)
Miscellaneous and rentals	1,500	1,576	76
Total operating revenues	<u>1,199,705</u>	<u>1,244,447</u>	<u>44,742</u>
Operating expenses:			
Cost of power	787,605	800,739	13,134
Distribution expenses	180,425	155,511	(24,914)
Accounting and collections	79,440	69,542	(9,898)
Administration expenses	160,825	141,851	(18,974)
Total operating expenses	<u>1,208,295</u>	<u>1,167,643</u>	<u>(40,652)</u>
Operating income (loss)	<u>(8,590)</u>	<u>76,804</u>	<u>85,394</u>
Non-operating revenues (expenses):			
Transfers from Woodbine City Water Fund	39,000	39,848	848
Transfers to Woodbine City Water Fund	(40,710)	(39,848)	862
Transfers to Woodbine City Water Fund	(2,000)	(33,009)	(31,009)
Transfers to Woodbine Main St. Chamber	(5,000)	(6,000)	(1,000)
Sale of materials and services	1,500	734	(766)
Penalties and late fees	6,000	6,319	319
Gain on sale of assets	-	3,071	3,071
Interest income	10,000	6,999	(3,001)
Interest expense	(200)	(213)	(13)
Total non-operating revenues (expenses)	<u>8,590</u>	<u>(22,099)</u>	<u>(30,689)</u>
Changes in net assets	<u>-</u>	<u>54,705</u>	<u>54,705</u>
Adjustments to cash method for budget purposes:			
Net proceeds from investments	-	(27,733)	(27,733)
Purchases of equipment	-	(47,344)	(47,344)
Total adjustments	<u>-</u>	<u>(75,077)</u>	<u>(75,077)</u>
Net decrease in cash	<u>\$ -</u>	<u>\$ (20,372)</u>	<u>\$ (20,372)</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER  
STATEMENT OF BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	2010		
	Original & Final Budget	Actual	Variance
Operating revenues:			
Sales to customers	\$ 1,126,000	\$ 1,128,737	\$ 2,737
Other operating revenue	8,800	7,727	(1,073)
Miscellaneous and rentals	1,200	591	(609)
Total operating revenues	<u>1,136,000</u>	<u>1,137,055</u>	<u>1,055</u>
Operating expenses:			
Cost of power	770,338	730,243	(40,095)
Distribution expenses	113,350	187,232	73,882
Accounting and collections	74,100	71,156	(2,944)
Administration expenses	169,962	161,607	(8,355)
Total operating expenses	<u>1,127,750</u>	<u>1,150,238</u>	<u>22,488</u>
Operating income (loss)	<u>8,250</u>	<u>(13,183)</u>	<u>(21,433)</u>
Non-operating revenues (expenses):			
Transfers from Woodbine City Water Fund	16,500	44,718	28,218
Transfers to Woodbine City Water Fund	(42,450)	(44,718)	(2,268)
Transfers to Woodbine Main St. Chamber	(17,500)	(5,000)	12,500
Sale of materials and services	2,000	-	(2,000)
Penalties and late fees	6,000	5,027	(973)
Interest income	34,000	23,582	(10,418)
Interest expense	(6,800)	(6,660)	140
Total non-operating revenues (expenses)	<u>(8,250)</u>	<u>16,949</u>	<u>25,199</u>
Changes in net assets	<u>-</u>	<u>3,766</u>	<u>3,766</u>
Adjustments to cash method for budget purposes:			
Bond principal payment	-	(160,000)	(160,000)
Net proceeds from investments	-	322,426	322,426
Purchases of equipment	-	(4,777)	(4,777)
Total adjustments	<u>-</u>	<u>157,649</u>	<u>157,649</u>
Net increase in cash	<u>\$ -</u>	<u>\$ 161,415</u>	<u>\$ 161,415</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

1. Summary of Significant Accounting Policies

Woodbine Municipal Light & Power has operated as an independent entity since 1941 and is governed by a three member Board of Trustees appointed by the Mayor of Woodbine, Iowa. The Utility provides power and electricity to residential and commercial customers in Woodbine, Iowa and the surrounding community.

A. Reporting Entity

Criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes. Specifically, those offices and activities over which the Board of Trustees exercises oversight responsibility are included in these financial statements. Manifestations of oversight responsibility over an entity include: (1) financial interdependence, (2) selection of governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters.

Woodbine Municipal Light & Power has been identified as a component unit of the City of Woodbine, Iowa. Woodbine Municipal Light & Power provides billing and collection services for water, sewer, gas and landfill charges for the City of Woodbine. However, these amounts have been eliminated for financial statements purposes. These financial statements do not reflect any activity or transactions of the City of Woodbine and do not present consolidated information.

B. Fund Accounting

The Utility, for financial statement purposes, includes the funds and operations applicable to Electric and Power services only. All financial activity is accounted for in a single enterprise fund. The intent of the governing body is that all acquisitions, operations and maintenance of facilities and services to the general public on a continuing basis be financed or recovered primarily by user charges.

C. Measurement Focus and Basis of Accounting

Woodbine Municipal Light & Power maintains its accounting records on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Woodbine Municipal Light & Power applies all pronouncements of the Governmental Accounting Standards Board (GASB), as well as all Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

Operating revenues generally result from providing electric and power services, and maintaining and delivering those services in connection with ongoing operations. Receipts and disbursements not meeting this definition are reported as non-operating income and expenses.

WOODBINE MUNICIPAL LIGHT & POWER  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011

1. Summary of Significant Accounting Policies - continued

C. Measurement Focus and Basis of Accounting - continued

At June 30, 2011 and 2010, management considered accounts receivable to be fully collectible and, therefore, these financial statements do not contain an allowance for doubtful accounts.

D. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget. The budget of the Utility is submitted with that of the City of Woodbine following required public notice and hearing. Budgetary information is presented on the cash basis, which is in conformity with the budgetary requirements for the Code of Iowa.

E. Deposits and Certificates of Deposit

Deposits and investments are stated at cost, which approximates market. Interest on deposits and investments is accrued in the financial statements. The Utility's deposits and certificates are covered entirely by federal depository insurance, or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. Accordingly, Woodbine Municipal Light and Power had no investments meeting the risk categorization disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

F. Inventories

Inventories consist of materials and supplies, and are valued at the lower of cost or market, based on the (FIFO) first in, first out basis.

G. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Utility considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents. Natural gas and customer deposit accounts are not considered cash equivalents.

H. Capital Assets

Capital assets consist of land, capital assets and accumulated depreciation. Woodbine Municipal Light & Power does not maintain a formal capitalization policy. Generally, costs for capital assets, new plant, distribution, or substation systems with estimated useful lives of five years or more are capitalized and depreciated over the estimated useful life. Repairs and replacements of existing systems and assets with estimated useful lives of less than five years are expensed as incurred. Costs and accumulated depreciation on capital assets sold, retired or no longer in service are deducted from the respective asset and accumulated depreciation accounts, and any gain or loss is recognized at that time. Construction period interest, if any, is not capitalized.

WOODBINE MUNICIPAL LIGHT & POWER  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011

1. Summary of Significant Accounting Policies - continued

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Off Balance Sheet and Concentration of Credit Risk

The Utility's receivables are due from residential and commercial customers for providing electric and power service. None of the receivables are collateralized. The Utility's cash and investments are currently maintained at one local depository institution. To date, these concentrations of credit risk have not had an effect on the results of operations of the Utility.

K. Compensated Absences

Utility employees accumulate vacation and personal leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are recognized and accrued when earned. Sick leave is also accrued; however, sick leave is not paid upon termination, retirement or death.

L. Reclassifications

Certain amounts in the June 30, 2010 financial statements have been reclassified to conform to the June 30, 2011 presentation. Such reclassifications had no effect on changes in net assets as previously reported.

2. Deposits and Investments

The Utility is authorized to invest public funds in interest bearing accounts at any bank, savings and loan association, or credit union, in the State of Iowa, which is approved by the State Treasurer and properly declared as a depository by the Board of Trustees; obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees, Iowa Public Agency Investment Trust and certain other investments with prior approval by the Board of Trustees.

Deposits and investments are stated at cost, which approximates market. Interest on deposits and investments is accrued in the financial statements. The Utility's deposits and certificates at June 30, 2011 and 2010 were entirely covered by federal depository insurance, or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility had no investments meeting the risk categorization disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

WOODBINE MUNICIPAL LIGHT & POWER  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011

3. Property and Equipment

Property and equipment are stated at historical cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets.

	June 30, 2011			
	Balance 06/30/10	Additions	Retirements & Disposals	Balance 06/30/11
<u>Property and Equipment</u>				
Land	\$ 15,250	\$ -	\$ -	\$ 15,250
Buildings and plant	176,271	-	-	176,271
Distribution system	1,397,493	47,344	-	1,444,837
Equipment	267,025	-	17,523	249,502
Totals	<u>\$1,856,039</u>	<u>\$ 47,344</u>	<u>\$ 17,523</u>	<u>\$ 1,885,860</u>

	June 30, 2011			
	Balance 06/30/10	Depreciation	Retirements & Disposals	Balance 06/30/11
<u>Accumulated Depreciation</u>				
Buildings and plant	\$ 133,508	\$ 2,286	\$ -	\$ 135,794
Distribution system	806,376	31,702	-	838,078
Equipment	179,717	14,266	17,523	176,460
Totals	<u>\$1,119,601</u>	<u>\$ 48,254</u>	<u>\$ 17,523</u>	<u>\$ 1,150,332</u>

	June 30, 2010			
	Balance 06/30/09	Additions	Retirements & Disposals	Balance 06/30/10
<u>Property and Equipment</u>				
Land	\$ 15,250	\$ -	\$ -	\$ 15,250
Buildings and plant	171,494	4,777	-	176,271
Distribution system	1,397,493	-	-	1,397,493
Equipment	267,025	-	-	267,025
Totals	<u>\$1,851,262</u>	<u>\$ 4,777</u>	<u>\$ -</u>	<u>\$ 1,856,039</u>

	June 30, 2010			
	Balance 06/30/09	Depreciation	Retirements & Disposals	Balance 06/30/10
<u>Accumulated Depreciation</u>				
Buildings and plant	\$ 131,461	\$ 2,047	\$ -	\$ 133,508
Distribution system	773,488	32,888	-	806,376
Equipment	165,451	14,266	-	179,717
Totals	<u>\$1,070,400</u>	<u>\$ 49,201</u>	<u>\$ -</u>	<u>\$ 1,119,601</u>

Depreciation is provided on the straight-line basis. Buildings, plant and distribution systems are depreciated over 40 years, whereas equipment is generally depreciated over 5 - 10 years.

WOODBINE MUNICIPAL LIGHT & POWER  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011

4. Pension and Retirement Benefits

Woodbine Municipal Light & Power contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members were required to contribute 4.50% of their annual covered salary and Woodbine Municipal Light & Power is required to contribute 6.95% of annual covered payroll through June 30, 2011. Contribution rates and requirements are established by state statute. Woodbine Municipal Light & Power's required contribution to IPERS for the years ended June 30, 2011 and 2010 amounted to \$13,237 and \$12,831, respectively.

5. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, Woodbine Municipal Light & Power annually adopts a budget on the cash basis of accounting, following required public notice and hearing. Accordingly, budget to actual comparisons are presented on a "non-GAAP budgetary – cash basis" in the accompanying financial statements. The adjustments necessary to reconcile the differences between the cash and accrual accounting methods are as follows:

	<u>2011</u>	<u>2010</u>
Changes in cash – budgetary basis	\$ (20,372)	\$ 161,415
Depreciation expense	(48,254)	(49,201)
Net increase (decrease) in investments	27,733	(322,426)
Payment of bond principal	-	160,000
Purchases of equipment	47,344	4,777
Increase (decrease) in:		
Accounts receivable	2,101	2,949
Inventory	4,043	1,832
Unbilled usage	2,883	8,378
Accrued interest receivable	(1,145)	(4,805)
Prepaid insurance	(2,168)	1,632
Customer deposits	544	188
(Increase) decrease in:		
Accounts payable	3,436	49,842
Accrued expenses	(3,031)	2,030
Customer deposits	(728)	(339)
Changes in net assets – GAAP basis	<u>\$ 12,386</u>	<u>\$ 16,272</u>

WOODBINE MUNICIPAL LIGHT & POWER  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011

6. Related Party Transactions

The Woodbine Municipal Light and Power Fund provided labor and related costs and benefits to the City of Woodbine Water Fund. These expenses are reimbursed 100% by the City of Woodbine Water Fund and are reported as transfers and amounted to \$39,848 and \$44,718 for the fiscal years ended June 30, 2011 and 2010, respectively.

During the fiscal year ended June 30, 2011, the Woodbine Municipal Light and Power Fund also transferred \$33,009 to the City of Woodbine Water Fund to pay off the net remaining balance of a tractor and bucket traded by the City of Woodbine Water Fund. This amount is reported a transfer to the City of Woodbine Water Fund.

The Woodbine Municipal Light and Power Fund also provides electricity, file maintenance, meter reading, billing, collection and other various operating and office expenses to the City of Woodbine Water Fund. These expenses are reimbursed 100% by the City of Woodbine Water Fund and are reported as other operating revenues and operating expenses and amounted to \$6,390 and \$7,727 for the fiscal years ended June 30, 2011 and 2010, respectively.

Amounts due to the Woodbine Municipal Light and Power Fund from the City of Woodbine Water Fund are included in receivables and amounted to \$4,401 and \$4,066 for the fiscal years ended June 30, 2011 and 2010, respectively.

7. Net Assets

Net assets generally consist of the following three categories:

Net assets invested in capital assets, net of related debt - are capital assets, net of accumulated depreciation, reduced by related outstanding notes, bonds, or other debt.

Restricted net assets – are net assets which result when constraints or restrictions are placed on the use of net assets. The restrictions are generally imposed by external lending sources or by law.

Unrestricted net assets - are those assets not meeting the definitions of the two preceding categories. Reservations of unrestricted net assets may be imposed by management; however, reservations do not restrict net assets in any manner.

8. Risk Management

The Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Woodbine Municipal Light & Power assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks, if any, have not exceeded commercial insurance coverage in any of the past three fiscal years.



WOODBINE MUNICIPAL LIGHT & POWER  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2011

9. Joint Ventures

Woodbine Municipal Light & Power is a participant in the Missouri Basin Electric Cooperative Association (MBMECA), a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative (NIPCO). NIPCO constructed the power lines, and there are no dedicated lines. There is an agreement which guarantees Woodbine Municipal Light & Power the right to draw power over the lines at a raw power cost without transmission charges. The Utility shares the joint venture with twelve other municipalities and the percentage of ownership varies from year to year. The Utility cannot recover any investment from MBMECA unless authorized by MBMECA, or if MBMECA ceases operations. In addition, the financial statements of the joint venture are kept on, and are audited on, a calendar year basis, and therefore are not comparable to the Woodbine Municipal Light & Power fund's June 30 fiscal year end. Accordingly, the investment in the joint venture is not reflected as an asset in these financial statements. Payments by Woodbine Municipal Light & Power to MBMECA amounted to \$56,343 and \$42,542 for the fiscal year ended June 30, 2011 and 2010, respectively.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees  
Woodbine Municipal Light & Power  
Woodbine, Iowa

I have audited the accompanying financial statements of the Woodbine Municipal Light & Power fund, a component unit of the City of Woodbine, Iowa, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Woodbine Municipal Light & Power fund's financial statements and have issued my report thereon dated August 12, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Woodbine Municipal Light & Power fund's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Woodbine Municipal Light & Power fund's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Woodbine Municipal Light & Power fund's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Woodbine Municipal Light & Power fund's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies in the Woodbine Municipal Light & Power fund's internal control described in the accompanying Schedule of Findings to be material weaknesses.

Internal Control Over Financial Reporting – continued

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Woodbine Municipal Light & Power fund's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Woodbine Municipal Light and Power fund's operations for the fiscal year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Woodbine Municipal Light and Power fund. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Woodbine Municipal Light and Power fund's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on Woodbine Municipal Light and Power's responses, I did not audit the Woodbine Municipal Light and Power fund's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the Board of Trustees, management and employees, and other parties to which the Woodbine Municipal Light and Power fund may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the courtesies and assistance extended to me during the audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you.

  
Certified Public Accountant

Omaha, Nebraska  
August 12, 2011

WOODBINE MUNICIPAL LIGHT & POWER  
SUPPLEMENTARY INFORMATION  
SCHEDULES OF OPERATING EXPENSES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Distribution expenses:		
Wages	\$ 65,450	\$ 61,053
FICA	4,815	4,895
IPERS	4,154	4,037
Contract labor	2,305	1,405
Equipment	6,505	343
Insurance	21,680	22,337
Maintenance materials	32,736	30,890
Miscellaneous	669	680
Purchased services	228	1,019
Street lights	532	1,284
Supplies	263	513
Tool purchases	1,503	992
Training	705	763
Truck expenses	4,948	4,874
Uniforms	613	473
Utilities	926	-
Total distribution expenses	<u>\$ 148,032</u>	<u>\$ 135,558</u>
Accounting and collection expenses:		
Wages	\$ 45,721	\$ 46,979
FICA	3,548	3,484
IPERS	3,224	3,029
Contract labor	-	64
Equipment	-	543
Insurance	12,639	13,116
Miscellaneous	362	637
Supplies	3,748	2,915
Training	300	389
Total accounting and collection expenses	<u>\$ 69,542</u>	<u>\$ 71,156</u>

WOODBINE MUNICIPAL LIGHT & POWER  
SUPPLEMENTARY INFORMATION  
SCHEDULES OF OPERATING EXPENSES - CONTINUED  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Administrative expenses:		
Wages	\$ 49,686	\$ 46,509
FICA	3,986	3,833
IPERS	3,621	3,332
Advertising and legal publications	4,492	4,544
Assessments	2,860	3,552
Audit and accounting	4,575	7,850
Bad debt expense	252	324
Contract labor	3,335	3,537
Dues	1,585	2,555
Equipment	10,767	7,331
Energy efficiency programs	15,439	12,100
Insurance	22,210	30,077
Legal and engineering	4,205	10,519
Maintenance materials	1,809	622
Meeting expenses	1,978	1,770
Miscellaneous	905	634
Postage	5,667	5,180
Purchased services	215	4,555
Supplies	1,566	1,378
Telephone	1,887	1,725
Training	613	756
Truck expenses	1,797	2,200
Trustee fees	3,600	3,600
Total administrative expenses	<u>\$ 147,050</u>	<u>\$ 158,483</u>

WOODBINE MUNICIPAL LIGHT & POWER  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part 1- Findings Related to the Financial Statements:

Internal Control Deficiencies:

- (A) Segregation of Duties - An important aspect of any internal control structure is the segregation of duties among employees to prevent individual employees from handling tasks that are incompatible. I recognize that, because of limited staff, the Utility is not able to segregate all incompatible duties.

Recommendation – I communicated to the Board of Trustees and management the importance of trying to obtain the maximum segregation of duties and the need to make improvements to the control structure where warranted and feasible. Because of this weakness, I communicated to Board of Trustees the importance of their administrative review of financial transactions and reports.

Response – Management and the Board of Trustees are aware of the reasons for the need to segregate incompatible duties where possible and of the need for administrative review. Management and the Board of Trustees will continue to make improvements where possible and will continue to perform administrative reviews of the transactions and reporting.

Conclusion - Response accepted.

Part II – Instances on Non-Compliance:

No instances of non-compliance were noted.

Part III - Other Findings Related to Required Statutory Reporting:

The following comments about the Woodbine Municipal Light & Power fund's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Woodbine Municipal Light & Power fund. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Trustees. The maximum deposit amounts stated in the resolutions were not exceeded during the year ended June 30, 2011.
- (2) Certified Budget – For the year ended June 30, 2011, amounts budgeted for expenditures exceeded actual disbursements, as required by the Code of Iowa.
- (3) Questionable Disbursements - I noted no disbursements that, I believe, may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (4) Travel Expenses – No expenditures for travel expenses of spouses of the Utility's officials or employees were noted.

WOODBINE MUNICIPAL LIGHT & POWER  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

- (5) Business Transactions – No business transactions were noted between the Woodbine Municipal Light & Power fund and the Utility's Officials, employees, or related parties which would require disclosure.
- (6) Bond Coverages - Surety bond coverage of the Utility's officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.
- (7) Board Minutes - No other transactions were noted that I believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utility's investment policy.